

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:

**STEWARD HEALTH CARE SYSTEM
LLC, *et al.*,**

Debtors.¹

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Chapter 11

Case No. 24-90213 (CML)

(Jointly Administered)

**EMERGENCY MOTION OF DEBTORS TO SUPPLEMENT
GLOBAL SETTLEMENT ORDER TO AUTHORIZE DEBTORS TO
DESIGNATE INTERIM MANAGER FOR ST. LUKE'S BEHAVIORAL HEALTH**

EMERGENCY RELIEF HAS BEEN REQUESTED. RELIEF IS REQUESTED NOT LATER THAN OCTOBER 22, 2024.

IF YOU OBJECT TO THE RELIEF REQUESTED OR YOU BELIEVE THAT EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU MUST APPEAR AT THE HEARING OR FILE A WRITTEN RESPONSE PRIOR TO THE DATE THAT RELIEF IS REQUESTED IN THE PRECEDING PARAGRAPH. OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

A HEARING BE CONDUCTED ON THIS MATTER ON OCTOBER 22, 2024 AT 1:00 P.M. (CENTRAL TIME) IN COURTROOM 401, 4TH FLOOR, 515 RUSK AVENUE, HOUSTON, TX 77002.

YOU MAY PARTICIPATE IN THE HEARING EITHER IN PERSON OR BY AN AUDIO AND VIDEO CONNECTION. AUDIO COMMUNICATION WILL BE BY USE OF THE COURT'S DIAL-IN FACILITY. YOU MAY ACCESS THE FACILITY AT 832-917-1510. ONCE CONNECTED, YOU WILL BE ASKED TO ENTER THE CONFERENCE ROOM NUMBER. JUDGE LOPEZ'S CONFERENCE ROOM NUMBER IS 590153. VIDEO COMMUNICATION WILL BE BY USE OF THE GOTOMEETING PLATFORM. CONNECT VIA THE FREE GOTOMEETING APPLICATION OR CLICK THE LINK ON JUDGE LOPEZ'S HOME PAGE. THE MEETING CODE IS "JUDGELOPEZ." CLICK THE SETTINGS ICON IN THE UPPER RIGHT CORNER AND ENTER YOUR NAME UNDER THE PERSONAL INFORMATION SETTING.

HEARING APPEARANCES MUST BE MADE ELECTRONICALLY IN ADVANCE OF BOTH ELECTRONIC AND IN-PERSON HEARINGS. TO MAKE YOUR APPEARANCE, CLICK THE "ELECTRONIC APPEARANCE" LINK ON JUDGE LOPEZ'S HOME PAGE. SELECT THE CASE NAME, COMPLETE THE REQUIRED FIELDS AND CLICK "SUBMIT" TO COMPLETE YOUR APPEARANCE.

¹ A complete list of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors' claims and noticing agent at <https://restructuring.ra.kroll.com/Steward>. The Debtors' service address for these chapter 11 cases is 1900 N. Pearl Street, Suite 2400, Dallas, Texas 75201.

Steward Health Care System LLC and its debtor affiliates, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**” or “**Steward**”), submit this motion (the “**Motion**”) to supplement the *Final Order Approving (I) Global Settlement with Medical Properties Trust, Prepetition ABL/FILO Secured Parties, FILO Secured Parties, and Creditors’ Committee, (II) Interim Management Procedures, and (III) Granting Related Relief* (Docket No. 2610) (including all exhibits attached thereto, the “**Global Settlement Order**”) to authorize the Debtors to enter into an interim management agreement with College Medical Center Phoenix LLC, a California limited liability company (“**College Health**”), as Interim Manager, with respect to St. Luke’s Behavioral Health Center in Phoenix, Arizona (the “**Behavioral Facility**”) in accordance with the terms of the Global Settlement Order.² The Debtors respectfully represent as follows:

Preliminary Statement

1. On September 10, 2024, the Debtors filed the Global Settlement Motion requesting interim and final approval of a global settlement (the “**Global Settlement**”) with Medical Properties Trust, Inc. (together with its affiliates, “**MPT**”).³ On September 18, 2024, the Court entered the Global Settlement Order which, among other things, approved the Debtors’ entry into and consummation of the Global Settlement on a final basis, authorized the Debtors to enter into interim management arrangements with interim managers for certain facilities, and approved

² For the avoidance of doubt, the relief requested in this Motion is intended to amend the relief granted in the Global Settlement Order only to the extent set forth herein. As applicable, the *Emergency Motion of Debtors Requesting Interim and Final Orders (I) Approving (A) Global Settlement with Medical Properties Trust and (B) Interim Management Procedures, and (II) Granting Related Relief* (Docket No. 2418) (the “**Global Settlement Motion**”) is incorporated herein by reference.

³ On September 11, 2024, the Court entered the *Interim Order Approving (I) Global Settlement with Medical Properties Trust, Prepetition ABL/FILO Secured Parties, FILO Secured Parties, and Creditors’ Committee, (II) Interim Manager Procedures, and (III) Granting Related Relief* (Docket No. 2483) approving the Global Settlement on an interim basis.

procedures for the conveyance of Specified MLI Hospitals to Designated Operators and the assumption and assignment of contracts in connection therewith, in accordance with the terms and conditions set forth therein and in the Settlement Term Sheet.⁴

2. Under the terms of the Global Settlement Order, the Debtors and MPT agreed to use good faith efforts to agree on a resolution with respect to the Behavioral Facility as promptly as practicable.

3. Following entry of the Global Settlement Order, the Debtors and MPT engaged in discussions regarding the treatment of the Behavioral Facility, and have agreed that College Health will serve as an Interim Manager for the Behavioral Facility, in accordance with the Interim Management Procedures.

4. To ensure that the terms of the Global Settlement Order apply with respect to College Health as Interim Manager of the Behavioral Facility, the Debtors seek approval of a supplemental order authorizing the Debtors to designate College Health as Interim Manager of the Behavioral Facility under the terms of the Global Settlement Order.

5. As of the time of entry into the Global Settlement, the license to operate the inpatient Behavioral Facility was suspended by the Arizona Department of Health Services (the “**Arizona DHS**”), and all patients were moved to alternative facilities. As of the date hereof, the license has not been reinstated, and the Behavioral Facility is not currently operating as a result of the suspended license (and the adjoining outpatient treatment center is not currently operating). College Health has agreed to enter into an interim management agreement and assume certain operating liabilities for the Behavioral Facility while it seeks to reinstate the license and resume

⁴ Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Global Settlement Order.

operations at the Behavioral Facility. The relief requested is needed to allow for a transition of the Behavioral Facility to College Health, as Interim Manager, and, subsequently, if appropriate, provide the ability to identify College Health as a Designated Operator and Behavioral Facility as a Specified MLI Hospital, as each term is defined in the Global Settlement Order.

6. Each of parties to the Global Settlement, including MPT, the Prepetition ABL/FILO Secured Parties, the FILO Secured Parties, and the Creditors' Committee, is supportive of, or does not object to, the relief requested.

7. Accordingly, the Debtors believe that the relief requested in this Motion is in the best interests of the Debtors, their estates, and their creditors and respectfully request that the Court enter the Proposed Order (as defined below) granting the relief requested herein.

Background

8. On May 6, 2024, (the "**Petition Date**"), the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). The Debtors are authorized to continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

9. On May 16, 2024, the U.S. Trustee for Region 7 (the "**U.S. Trustee**") appointed an official committee of unsecured creditors (the "**Creditors' Committee**"). No trustee or examiner has been appointed in these chapter 11 cases.

10. The Debtors' chapter 11 cases are being jointly administered for procedural purposes only pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**") and Rule 1015-1 of the Bankruptcy Local Rules for the United States Bankruptcy Court for the Southern District of Texas (the "**Bankruptcy Local Rules**").

11. As of the Petition Date, the Debtors owned and operated the largest private physician-owned for-profit healthcare network in the United States. Headquartered in Dallas,

Texas, the Debtors' operations on the Petition Date included 31 hospitals across eight states, approximately 400 facility locations, 4,500 primary and specialty care physicians, 3,600 staffed beds, and a company-wide workforce of nearly 30,000 employees that provide care to more than two million patients annually.

12. Additional information regarding the Debtors' business, capital structure, and the circumstances leading to the commencement of these chapter 11 cases is set forth in the *Declaration of John R. Castellano in Support of Debtors' Chapter 11 Petitions and First-Day Pleadings* (Docket No. 38) (the "**First Day Declaration**"). Additional information regarding the Global Settlement is set forth in the *Declaration of John R. Castellano in Support of Emergency Motion of Debtors Requesting Entry of Interim and Final Orders (I) Approving (A) Global Settlement with Medical Properties Trust and (B) Interim Management Procedures, and (II) Granting Related Relief* (Docket No. 2419) (the "**Global Settlement Declaration**").⁵

Jurisdiction

13. The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Relief Requested

14. By this Motion, pursuant to sections 105, 363(b), 365, and 554 of the Bankruptcy Code, Bankruptcy Rules 2002, 6004, 6006, 6007, 9014, and 9019, and Bankruptcy Local Rule 9013-1, the Debtors request entry of an order substantially in the form attached hereto as **Exhibit A** (the "**Proposed Order**"), supplementing the Global Settlement Order to authorize

⁵ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the First Day Declaration, the Global Settlement Declaration, the Global Settlement Motion (as defined below), and the Global Settlement Order, as applicable.

the Debtors' entry into an interim management arrangement with College Health as Interim Manager with respect to the Behavioral Facility in accordance with the terms of the Global Settlement Order (the "**Supplemental Relief**"). Accordingly, MPT may, in its discretion, designate College Health as a Designated Operator, and/or the Behavioral Facility as a Specified MLI Hospital, in accordance with the Interim Management Procedures and the Global Settlement Order.

15. Except for the Supplemental Relief described above, all other terms and provisions set forth in the Global Settlement Order shall remain in full force and effect.

16. The Debtors submit that the Supplemental Relief is reasonable and necessary to, among other things, allow the Debtors to transition the Behavioral Facility to an Interim Manager that will assume certain operating liabilities while it seeks to reinstate the license and resume operations at such facility. Accordingly, the Debtors request that the Court approve the Supplemental Relief.

Basis for Emergency Relief

17. The Debtors respectfully request emergency consideration of this Motion in accordance with Bankruptcy Local Rule 9013-1(i). The emergency relief requested in the Motion is critical to the Debtors' ability to preserve the opportunity for another entity to operate the Behavioral Facility. Accordingly, the Debtors respectfully request that the Court approve the relief requested in the Motion on an emergency basis.

Notice

18. Notice of this Motion will be served on any party entitled to notice pursuant to Bankruptcy Rule 2002 and any other party entitled to notice pursuant to Bankruptcy Local Rule 9013-1(d).

19. WHEREFORE, the Debtors respectfully request entry of the Proposed Order granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

Dated: October 19, 2024
Houston, Texas

/s/ Clifford W. Carlson

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Attorneys for Debtors and Debtors in Possession

Certificate of Service

I hereby certify that on October 19, 2024, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Clifford W. Carlson

Clifford W. Carlson